

Fostering a Collaborative Home Furnishing Sector

Launching impactful joint marketing schemes, enhancing product quality through design, boosting domestic sales, and raising industry cooperation.



Moldova's home furnishings sector is valued at more than \$140 million and is a pillar of Moldova's sustainable economic welfare. The sector is highly fragmented with more than 60 percent of production done by a select number of large-scale companies. Local production, valued at \$70 million, accounts for an estimated 50 percent of domestic consumption, highlighting that home furnishing consumers are dependent on the more competitive prices and sophisticated designs of imports. With approximately 400 home furnishing enterprises in Moldova, an estimated 4,400 employees working in the industry, and a wealth of market demand, supporting the sector to meet its full potential is an economic priority for the country.

Mobilizing a Unified Vision

With the clear domestic market opportunity and vast volume of companies and employees, USAID's CEED II program began providing support to the sector in 2011. Efforts to increase the competitiveness of this powerful sector were centered around creating innovative joint marketing opportunities, developing stronger brand recognition and business strategies for Moldovan firms, raising industry cooperation, and expanding domestic market presence. Support to the home furnishing sector was established strategically to provide targeted activities with an exit strategy. Activities supported the goal of sustainable collaboration among players in the sector to drive positive economic impacts.

Key Indicators

- Moldova furniture market valued at over \$140M
- Domestic furniture manufacturers [can] compete with imports
- 4,000+ employees and 400+ companies
- Industry plays strong role in self-employment and micro enterprises

Achieving Impact

The home furnishing sector graduated from CEED II support in 2013 after successfully facilitating impactful changes, including creation of the Association of Furniture Producers, the first common furniture shopping center—Mobimall, that is managed through joint partnership between an investor and the association – and improved design and branding. With a 2 million Euro private investment, Mobimall was launched in August 2013, highlighting more 20 brands and placing 3,000 furniture and home products on sale in 15,000 square meters of retail space, which was a milestone in the development of Moldova's home furnishing sector. CEED II placed special emphasis on sustainability in its approach. Mobimall is properly established and operates on a commercial basis consistently bringing in more than 300 customers per day. The project assisted the industry



The Moldova Competitiveness Enhancement and Enterprise Development II (CEED II) project helps to grow and expand the competitiveness and efficiency of key industries in Moldova leading to increased sales and investment.

association to further consolidate its membership and, by placing it in a critical role in the management/marketing of Mobimall, CEED II ensured motivation and value for its members. Through its design and branding assistance, CEED II changed industry thinking and demonstrated the value of better product design and marketing. With an increase in sales of 24 percent and in investments of 12 percent in 2014 (of assisted companies from the sector), the Moldovan home furnishing sector is quickly bridging the gap for meeting domestic market demand.

SUCCESS STORIES: JOINT PROJECTS, JOINT RESULTS

Vision for Improving Intersectoral Collaboration

Unite local furniture producers in their marketing efforts, and demonstrate how despite competition, companies can reduce costs and maximize exposure through joint initiatives to maximize sales.

The key to bridging the gap between local market demand and local production was uniting one of Moldova's most fragmented sectors. Changing perceptions that sector players are simply competitors and creating awareness among companies of the mutual benefits of strong, intra-branch collaboration and implementation of joint projects was needed to increase competitiveness and sector growth.

Infrastructure to Match the Mission

Cooperation for Mobimall Reduces Costs and Increases Visibility. Successfully launched in August 2013, after almost two years of committed work, Mobimall gathered under one roof 20 furniture brands and 3,000 furniture and home products on nearly 15,000 square meters of retail space. The enterprise represented Moldova's first furniture shopping mall. From concept to launch, private furniture manufacturer, Iurie Bors, invested 2 million Euros and was motivated to extend the initially 10,000- square-meters by almost 5,000 additional square meters of space in 2014. The benefits of Mobimall are multifaceted. As a solution to the lack of high quality retail space at affordable prices for Moldovan furniture manufacturers, Mobimall space costs less than market average.

Manufacturers now have a one-stop furniture-shopping destination focused on Moldovan furniture, enabling local furniture producers to expand their market share, and increase the quality of domestic production. Domestic furniture producers are now united in their marketing efforts, demonstrating that despite competition through joint sales spaces, companies can decrease costs and maximize exposure, therefore maximizing sales. Inspired by Mobimall success, five furniture producers opened Cristan, a common shop in Comrat (southern Moldova) on nearly 2,000 square meters of space.

Supporting Association Development

Launching Industry Cooperation through Setting Up The First Business Association. As a fully functioning and sustainable body, the Union of Furniture Producers (UPM) was established with support from the CEED II project to bring the main

furniture players in the country together to discuss ways to improve the competitiveness of their industry. The Association has 17 active members that produce more than 70 percent of domestic furniture. Collaboration



"The Association is grateful for the support and for the role of CEED II in the development of our companies. We, the local furniture producers, have succeeded with your help to get to know each other and to join our forces, to help each other and to collaborate like friends and colleagues. Although we feel sorry that CEED II project has ended its activity in furniture sector, we are glad that it has fulfilled its objectives while our successes will always be also your successes."

—From the Association's thank you letter to CEED II, December 2013

began immediately, with companies Anturaj and Stejaur jointly producing a substantial order for which they shared machinery and jointly purchased raw materials to reduce costs. The Association has also been involved in several large-scale projects. One of the projects was the co-organization of the 2012 Furniture Exhibition, the main domestic furniture expo promoting furniture made in Moldova. Another important project engaging association members was the creation of a common furniture shopping center that will serve as a single venue for Moldovan consumers to shop for locally made furniture.

Increasing Market Presence and Firm-level Competitiveness

Encouraging Domestic Consumption. In September 2012, with CEED II support, the UPM successfully organized participation of 12 companies in the 2012 National Furniture Exhibition at Moldexpo. The union rented one of two pavilions at Moldexpo, organized attractive furniture displays, and planned and executed an effective media and PR campaign that brought in twice the number of attendees from 2011. This strong showing at Moldexpo facilitated more than \$100,000 in sales during the expo.

Boosting Local Sales through Consumer Events. In December 2012, the industry association successfully launched the first Moldovan Christmas Furniture Fair to increase domestic sales by showcasing special holiday offers. Although the first of its kind, the fair was successful, gathering 12 exhibiting companies and registering sales in excess of \$35,000. As an immediate result, the participating companies attracted additional traffic in their stores during and immediately after the fair. Additionally, shortly after the event, two companies participated independently at international fairs in Bucharest (Tiara) and Moscow (Ergolemn).

Enhancing Competitiveness. CEED II offered design and branding assistance to furniture producers, facilitating a change in industry thinking and demonstrating the values of better product design and marketing. The project assisted nine furniture producers to rebrand in the local market. Branding and corporate identity were raised to global standards, thus improving companies' images to customers. CEED II supported five design projects to help furniture producers develop new collections. The designs of furniture collections were upgraded through international "flying" designers. Assisted companies noted an improved perception by customers and better sales as they started to promote and position themselves more professionally.

"It's hard to believe that just 2 years ago we, furniture producers, could barely think of doing something together, viewing each other as competitors. Today our brands have a common house, at an affordable price, and are supported by a jointly coordinated and administered promotional budget."

- Nicolae Ciobanu,
President of the Moldovan
Furniture Producers Association

Promoting the Homefront

Raising Awareness of Moldovan Quality. A **Made in Moldova campaign** helped raise the industry's profile and awareness about quality Moldovan furniture. Through media such as Facebook, websites, brochures, and in-store marketing at Mobimall, the "Made in Moldova" campaign was launched to teach consumers how to choose furniture, how to judge furniture quality, what to ask retailers when buying, and to reinforce the fact that quality furniture is made in Moldova. The campaign simultaneously sought to combat the phenomena of illegal furniture production and imports. The message of the first campaign was launched via 13 billboards (10 in Chisinau and three in Cahul, Balti, and Ungheni respectively), articles in four popular newspapers, a brochure disseminated in members' stores, and the campaign website.

Moving Forward

The substantial progress made in strengthening Moldova's home furnishing sector has catapulted the industry into new markets with quality products boosting sales for local producers. To continue growth, further strengthening of the furniture association and creating linkages to new markets are the main focus. With the industry having a limited history in bringing together sector players, incentives are needed to continue collaboration efforts, create common projects, and maintain one representative voice for the sector through public-private dialogue. Additionally, Moldovan companies have consistently stated that they need to promote their furniture to penetrate new, foreign markets through participation at international exhibitions. Currently,

the EU market is the main export market for furniture producers in Moldova. In 2013, 72 percent of total furniture exports were directed to EU markets and this will continue to be a focus for Moldova's home furnishing sector. Visibility in international markets will continue to strengthen Moldova's export market and drive growth for this key sector.

BUILT INNOVATIVE JOINT MARKETING

A one-stop shopping destination in Chisinau focused on Moldovan furniture, offering high quality affordable retail space for manufacturers, and impactful joint marketing



USAID leadership and support proved critical -- from concept, store design, business model, to branding and promotion



USAID successfully pitched the idea to investors, resulting in **\$2M invested** by local furniture producer Iurie Bors



A **unique joint partnership** between the investor and business association for MOBIMALL was facilitated



MOBIMALL*

FIRST COMMON FURNITURE SHOPPING CENTER IN MOLDOVA

Open doors in
Aug 2013 / 15,000 m²

20 furniture brands
3,000 furniture
& home products

300+ visitors per day
and growing

*In June 2015, Mobimall will be rebranded in Creator Mall

EXPANDED DOMESTIC MARKET PRESENCE

50+ furniture manufacturers were engaged in **trade growth** activities

Premier Made in Moldova campaign **raised industry profile** and awareness about quality Moldovan furniture

Inspired by Mobimall success, producers opened **Cristan common shop** in Comrat, southern Moldova



5 producers



2,000 m²

Important consumer **events** were **upgraded**, driving up firm sales, with better designed stands, pricing policies and promotion

2012 National Furniture Exhibition



doubled visitors



lower rental price by 50% for exponents



UPM as **co-organizer**

First Moldovan Christmas Furniture Fair



35,000 \$ sales



12 exhibiting companies

RAISED INDUSTRY COOPERATION

The industry was assisted to set up a **functional business association** – Union of Furniture Producers (UPM)

UPM became operational, built its value and institutional capacity



17 active members

REPRESENTING



70% of local furniture production

UPM participates in **industry promotion**, and development of Mobimall

ENHANCED FIRM-LEVEL COMPETITIVENESS & BUSINESS STRATEGIES

Domestic **sales** of assisted Moldovan brands increased by **\$5.9M** or **24%**, while **investments** by **\$2.1M** or **12%**, in 2014 versus 2013



\$5.9M sales



\$2.1M investments

The **design** of furniture collections was upgraded through international "flying" designers

The **branding** and corporate identity was raised to global standards

The market understanding was improved enabling manufacturers to **better compete**



13 firms assisted in design & branding



400+ trained professionals in merchandising & sales



Furniture Industry Market Research 2012